

~~SECRET~~

Approved For Release 2004/06/24 : CIA-RDP79-00927A000300150001-4

CE 1 Edis.
COPY NO. 15

OCI NO. 8846

6 August 1954

CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY



DOCUMENT NO. 15
NO CHANGE IN CLASS. ☐
DECLASSIFIED ☐
CLASS. CHANGED TO: TS S 0987
NEXT REVIEW DATE:
AUTH. BY: 7-25-79
DATE: 7-25-79 REVIEWER:

25X1

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~SECRET~~

25X1

CONFIDENTIAL

State Dept. review completed

3-728508

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current situations. Comments and conclusions represent the immediate appraisal of the Office of Current Intelligence.

~~SECRET~~

SUMMARY OF CONTENTS

THE SOVIET WORLD Page 4

FORMATION OF SEATO FACES SERIOUS OBSTACLES Page 6

Prospects for creating an effective anti-Communist defense system in South and Southeast Asia have been reduced as a result of the Indochina settlement at Geneva.

IRAN'S POLITICAL AND ECONOMIC PROBLEMS REMAIN AFTER OIL SETTLEMENT Page 8

The provisional oil settlement announced on 4 August is only the first step toward the solution of Iran's long-standing political and economic problems. The Zahedi government is presently capable of maintaining internal security, but it is facing immediate pressure for social reform and economic development.

TRIESTE PARTIES OPPOSED TO PARTITION, BUT VIOLENCE UNLIKELY. Page 10

Prospects do not appear strong that partition of Trieste along present zone lines would set off dangerous rioting, despite the basic opposition of practically all political elements to such a solution.

CYPRUS ISSUE SEEMS HEADED FOR UNITED NATIONS Page 12

As a result of recent British administrative moves in Cyprus, Greece will place the issue of enosis--the union of Cyprus with Greece--on the agenda of the UN General Assembly on 22 August. Serious administrative problems in Cyprus and some damage to NATO solidarity are likely to ensue.

INDIA ACTIVATES CAMPAIGN AGAINST PORTUGUESE POSSESSIONS. Page 14

The invasion on 22 July of part of the Portuguese enclave of Damao on India's west coast by "volunteers" marked the opening of a new activist phase in New Delhi's long-standing campaign to eliminate all remnants of foreign rule from the subcontinent.

6 Aug 54

CURRENT INTELLIGENCE WEEKLY

Page 2

~~SECRET~~

SECRET

OVERHAULING COCOM FOR THE "LONG HAUL". Page 17

Major adjustments in the Western system of controls over trade with the USSR and the European Satellites will take place on 16 August. The most important of these will be the decontrol of a large number of items previously under COCOM embargo.

25X1

SPECIAL ARTICLE. FRANCE'S GLOBAL POSITION UNDER
REVIEW Page 23

The Indochina agreement and the new Tunisian proposals highlight the emerging adjustment of France's view of its global position and point to a reassessment of the French Union concept. France desires to develop its African dependencies as the basis for the claim to great-power status, but intensified unrest in Tunisia and Morocco poses a threat to such plans.

6 Aug 54

CURRENT INTELLIGENCE WEEKLY

Page 3

SECRET

THE SOVIET WORLD

In the wake of Geneva, the Communists have continued their campaign to present themselves as the "defenders of the peace" seeking a real "detente," while the United States is deliberately trying to maintain international tensions by taking steps to violate the Geneva agreements, build military pacts, and instigate international incidents.

Communist propaganda in Europe has described the renewed collective security proposal as facilitating the settlement of the German and Austrian problems. For the Asian audience, the Communists continue to call for Asia for the Asians and laud Communist China as the leader of Asian solidarity. Praise for Chou En-lai by Communist leaders in Moscow, Berlin, and Warsaw is a further indication of Communist China's enhanced position and Chou's enhanced role in Communist diplomacy.

Meanwhile, the Communists wasted no time in advancing their interests in Southeast Asia through political and psychological warfare. An editorial of 29 July in Peiping's People's Daily, allegedly written by former Thai premier Pridi Phanomyong, denounced the United States and called on the Thai people to overthrow the Phibun regime.

In Indochina, the Viet Minh was taking steps to bolster its political strength by trying to prevent refugees from fleeing to the south and to induce Vietnamese in French-controlled areas to move into Viet Minh territory. [REDACTED]

[REDACTED] the Viet Minh had sent more than 800 of its most experienced political agents into southern Vietnam to prepare the way for early elections.

The Communist Chinese protest on the shooting down of two Chinese aircraft by American planes, transmitted to the UN on 29 July, charged the United States with trying to prevent the easing of tensions and to promote its policy of strength by encouraging increased Chinese Nationalist harassment and "piratical activities" along the China coast.

Simultaneously, a renewed propaganda campaign for the "liberation" of Formosa, under way since early July, was charging the United States with responsibility for maintaining international tension by planning to increase its support of Nationalist China and supporting aggression against the mainland.

The Polish note of 31 July to the United States, protesting an alleged attack by American aircraft on two Polish merchant ships off Hainan, also charged that this act had as its aim the "obstruction of further relaxation of the international situation." The Polish note, relatively moderate in tone, omitted any reference to American support of the Chinese Nationalist government and any claim that the ships were within Chinese territorial waters.

Within the Soviet bloc, an antireligious campaign of major proportions has been rapidly developing. The climax of a two-month campaign in the USSR came in a lead editorial in the 24 July issue of Pravda, "Increase Scientific-Atheistic Propaganda," which described religious prejudices as one of the most persistent and harmful remnants of capitalism.

It is significant that after thirty years of "scientific atheism," the government still finds it necessary to fulminate against religious "remnants." The American embassy believes the campaign at this time may indicate that religion has made headway in the USSR since Stalin's death. It seems likely that the more liberal policies of the present regime resulted in a general atmosphere of relaxation in which a slackening of antireligious pressures led to increased religious activity.

In the past months, some of the earlier concessions, particularly those in cultural affairs, have been rescinded and a more stringent line firmly imposed. The regime may have found it necessary to make a gradual definition of the limitations on concessions, and the recent propaganda may be intended to demonstrate that relaxation of the antireligious fight is outside this limit.

In Poland an analagous situation exists. Recent trials of Catholic leaders and a 30 July article in a collaborating Catholic weekly, containing a lightly veiled threat that Catholics must change their attitude, suggest that the relaxation of church-state tension prevailing since the arrest of Cardinal Wyszynski last September is merely an armistice. Further evidence of a stronger anti-Vatican campaign is seen in a move to reduce the number of senior seminaries in Poland and in a revived demand by the regime for appointment of bishops in the former German territories. Such appointments have been opposed by the Vatican because of its policy that the dioceses in these territories cannot be changed until a peace treaty has defined a final territorial settlement.

SECRET

FORMATION OF SEATO FACES SERIOUS OBSTACLES

Prospects for creating an effective anti-Communist defense system in South and Southeast Asia have been reduced as a result of the Indochina settlement at Geneva. India is openly hostile to any Western-inspired arrangement, while other countries remain neutral. A potentially major obstacle is the considerable appeal throughout the area of the concept of an exclusively Asian nonaggression pact.

The settlement reached at Geneva may forestall Western plans to develop a regional defense system because it appeals to the Asian hope for peace and encourages a belief that problems can be negotiated. Throughout southern Asia there were expressions of relief that the fighting had stopped and that a feared world war had been avoided. There has been considerable acceptance of the view that the Communists desire a long period of peace for internal development. There is much hope that the Geneva settlement is a first step toward peaceful settlements of all major differences between the two power blocs. It has also been generally recognized that the West suffered a defeat at the hands of the Communists.

These attitudes unquestionably dampen enthusiasm for a regional defense arrangement with Western support. Even Thailand and the Philippines, the only two Asian countries that have agreed to join a Southeast Asian treaty organization, have indicated their participation may be contingent on new military commitments from the United States. Moreover, the emergence on 22 July of former Thai premier Pridi Phanomyong as a Communist puppet and his subsequent call for the overthrow of the Phibun regime undoubtedly were intended by Peiping to stimulate Thai doubts as to the wisdom of joining a Western-sponsored agreement.

Of the Colombo powers, only Pakistan would accept an invitation to join a regional defensive grouping. Top leaders in Ceylon have been favorably inclined but are apparently unwilling to take a position opposed to India's. Ceylon's prime minister has proposed a new meeting of the Colombo powers to align policy on SEATO.

India, Burma and Indonesia, all of which recognize Peiping, have clearly stated they want no involvement. While Rangoon and Djakarta have intimated they will not oppose the organization of

SECRET

SECRET

25X1

a regional defense system, Delhi is apparently trying to block such a development. [REDACTED]

25X1

The situation seems propitious also for a dramatic Communist proposal, such as an offer by Peiping to negotiate an all-Asian nonaggression pact or bilateral treaties. Such a proposal would strike a responsive chord; a clause "guaranteeing" Southeast Asian countries against Peiping's interference in their internal affairs would be especially attractive. Even before the Geneva conference, the Indonesians advocated just such a course.

Soviet and Chinese spokesmen have referred to the need for maintaining peace through "mutual obligations" assumed by Asian countries. More specifically, Chou En-lai has been stressing the "five principles" for friendly relations between Asian powers--mutual respect for each other's territorial integrity, mutual nonaggression, mutual noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

The Chinese Communists have taken several steps to create a receptive atmosphere in southern Asia. They are conducting a trade promotion campaign which pictures China as an unlimited market for the area's surplus commodities. They have recently supported Indonesia's claim to Dutch New Guinea.

The most significant development in this connection has been Peiping's hints that it is preparing to revise Chinese policy regarding the nationality of Overseas Chinese, 10,000,000 of whom reside in Southeast Asia, and who heretofore have been regarded as Chinese citizens. Recently, however, there have been suggestions that Peiping will soon confront these persons with the choice of relinquishing Chinese citizenship or of "ultimately" returning to China.

The Indonesians, who are soon to begin negotiating this matter in Peiping, claim the Chinese have already given them a commitment to this effect. A modification of the adamant Chinese attitude would materially enhance Peiping's standing in Southeast Asia.

SECRET

IRAN'S POLITICAL AND ECONOMIC PROBLEMS REMAIN AFTER OIL SETTLEMENT

The provisional oil settlement scheduled to be announced on 5 August is only the first step toward the solution of Iran's long-standing political and economic problems. The Zahedi government is presently capable of maintaining internal security, but it is facing immediate pressure for social reform and economic development.

Political stability is not assured even though a mutually acceptable final oil agreement may be drawn up under the principles already provisionally agreed upon. The Majlis appears likely to approve a final settlement with the consortium, but deep political wounds may be inflicted in the prior debates. The heart of the provisional agreement, the formula giving the consortium effective control over the production and marketing of Iranian oil, is almost certain to come under strong nationalist attack as violating the oil nationalization law.

The Iranian parliament is scheduled to reconvene on 24 August. In the interim its members will assess public reaction to the provisional settlement. The Shah will probably give it his full support. Court and government pressure now appear likely to be decisive in the Majlis.

A small but growing band of nationalist deputies can be expected to oppose any agreement to the end, however. Aided by xenophobic activities of the Tudeh, the National Resistance Movement, and influential antigovernment demagogues, the nationalists pose a constant threat to political stability. Their efforts presumably will be directed toward an eventual repudiation of the agreement.

The danger of repudiation will probably be greatest during the first few months after ratification of the final agreement, while the consortium's operating companies are engaged in implementing it. A change of government during that crucial period might imperil the settlement.

Zahedi's lack of substantial domestic support and the Shah's expressed inclination to discard him suggest that Zahedi's tenure in office is likely to be short. On the assumption that Zahedi's mission has been accomplished, the Iranian parliament may seek an early opportunity to dissolve his government as a price for approving the oil settlement.

SECRET

The oil settlement promises no immediate relief for economic problems which are entering a critical stage. Iranian finance minister Amini has asserted that Iran will realize \$400,000,000 in the consortium's first three years of operation, but little if any of that amount will be available soon to meet the clamor for economic development. The best available estimates indicate that Iran's oil revenues in the first year will be at a rate of less than \$5,000,000 a month. Despite an Iranian law requiring that all oil income be devoted to development projects, the government will almost certainly have to divert much of it to ordinary operating expenses.

The government recently obtained authority from the Majlis to issue the equivalent of \$1,100,000 in new rials to meet a serious currency deficiency. In July, Iran's uncommitted foreign exchange reserves totaled only \$9,000,000, and the rate of foreign exchange sales for the previous three months was \$10,200,000 monthly. The recent American grant of \$10,000,000 will not permit the expansion of import trade which many Iranians may expect.

A provisional oil agreement, therefore, should not be regarded as a panacea for all of Iran's ills.

SECRET

TRIESTE PARTIES OPPOSED TO PARTITION, BUT VIOLENCE UNLIKELY

Practically all political elements in Trieste are basically opposed to a settlement that would involve partition of the Free Territory roughly along present zone lines, but the prospects do not appear strong for dangerous rioting over such a solution. The possibility always remains, however, that a series of fortuitous events could bring on disturbances, either at the time of the announcement of a solution or any time thereafter until Italy is in full control of Zone A.

The only major group so far committed to protest publicly is the pro-Cominform Communist Party (PCTLT) which organized a 24-hour general strike in Muggia on 12 July. Leaders of the center parties appear to be grudgingly tolerating a partition solution, although earlier they had considered public protest action.

25X1

The 12 July strike was 80-percent effective despite the refusal of the non-Communist union to lend official support.

Although the Communists in Trieste have continued to incite minor strikes and to hold meetings to keep the question of partition before the public, there has been no recent indication that they are going to go through with a general strike throughout Zone A, which they were reportedly planning a few weeks ago.

The independentists and the four center parties in Trieste are strongly opposed to a partition settlement, although for different reasons. The independentists fear the effects, particularly economic, of Italian administration of Zone A, while the pro-Italian center parties are convinced that a partition means Italy's permanent loss of Zone B, even if the solution is announced as "provisional." The center parties have limited their activity to issuing strong statements and have not encouraged public protests, but they are still trying to secure assurances from the Italian center parties that Zone A will be administered in a manner favorable to the local population and that Italians in Zone B would enjoy full civil rights.

SECRET

The largest independentist group, however, approved a resolution on 10 July favoring common action against partition with all economic and labor organizations in the zone, but the extent to which it will do so is not known. The neo-Fascist Italian Social Movement (MSI), a markedly irredentist group and organizer of Trieste riots in the past, has engaged in very little overt activity or even public discussion of a settlement, very possibly a result of schisms within the group.

While the Communists could presumably initiate violence in Trieste without assistance, any really successful demonstration would probably require the co-operation of the pro-Italian center parties as well as the acquiescence of the Italian government itself. Up to this time Italian government representatives in Trieste have made a concerted effort to moderate the views and actions of the center parties. Late in June they were instrumental in softening a resolution opposing partition which was passed by the Trieste Communal Council. They have apparently been successful in tempering the stand taken by the pro-Italian press in Trieste.

At present the populace is reported as generally resigned to a partition solution, an attitude which, if it persists, would make it difficult for any political party to incite effective demonstrations.

As regards Yugoslav activities, a recent influx of a large number of robust young men posing as political refugees from Istria has been interpreted as an effort to infiltrate strong-arm men into Zone A of Trieste. Such an action probably constitutes part of a long-range program to promote Yugoslav influence in Zone A following partition. Rumors of increases in troop strength in Zone B have not been verified, and there is no other evidence of Yugoslav intention to foment disturbances at the time of a settlement.

SECRET

SECRET

CYPRUS ISSUE SEEMS HEADED FOR UNITED NATIONS

The issue of enosis--the union of Cyprus with Greece--appears definitely to be headed for official consideration by the UN General Assembly. It is unlikely that Anglo-American pressure can prevent Greece from placing the matter on the agenda on 22 August, the last date for submission of items. Serious administrative problems in Cyprus and some damage to NATO solidarity are likely to ensue.

The large majority of both Greeks and Cypriots ardently support union. Previous Greek efforts to take the matter to the United Nations failed as a result of Anglo-American pressure. Popular feeling is running high at present, however, and Britain's flat declaration on 27 July that it has no intention of giving up sovereignty over Cyprus touched off a new wave of agitation.

Athens has in the past officially insisted on a constitution for Cyprus specifically providing for a plebiscite on enosis within two or three years. On 28 July 1954, Greek foreign minister Stephanopoulos attacked a limited constitution offered by Britain the day before, stating that it ignored the question of self-determination and was "much less democratic" than that rejected in 1948. This, together with the British attitude on sovereignty, probably led to Greece's decision to take the matter to the United Nations.

In addition, the British apparently face increasing administrative problems in Cyprus as a result of the firm stand they have taken. Archbishop Makarios, Cypriot leader of the union movement, apparently foresaw the nature of the new British constitutional offer and convened a "Pan-Cyprian National Assembly" on 24 July to smother any receptiveness on the part of his followers to such a proposal. Although he supposedly espouses the principle of non-violence, he has since referred to the Anglo-Egyptian Suez settlement and hinted that violence may be the only way to solve the Cypriot problem.

Cypriot newspapers, unanimously attacking the British policy statement of 27 July, comment that it is "absolutely clear" that violence played an important part in obtaining British concessions in Egypt, and some papers openly advocate violence on the part of the Cypriots. Publication on 2 August of a new antisedition law entailing suspension, jail sentences, loss of citizenship, or deportation for any paper or individual advocating a change in the island's sovereignty or otherwise acting disloyally will probably inflame both the press and public still further.

6 Aug 54

CURRENT INTELLIGENCE WEEKLY

Page 12

SECRET

SECRET

The Communists in Cyprus are the island's second largest party and control half of the important municipal councils and most of organized labor. They are seeking a united front to oppose British plans for "enslaving the island." Whether or not a united front is achieved, the Communists in collaboration with the Nationalists are likely to foment disorder and sponsor crippling strikes.

In Greece, too, the government, already under fire for allegedly following the dictates of the United States, faces embarrassing charges by the outlawed Communist Party if it weakens before the British.

The trend of events and the new emphasis on violence also increases security problems connected with the British base in Cyprus. Archbishop Makarios has repeatedly asserted that a transfer of the British Middle East Headquarters from Suez to Cyprus would find that headquarters amongst a population as hostile as the Egyptians. Although this claim is exaggerated, the currently widespread and organized opposition to such a move suggests that the British could not rely on Cypriot co-operation in an emergency.

Greek political activity also creates friction within the Balkan Alliance by rousing Turkish criticism. The Turkish press has warned Greece that action disregarding Ankara's interest in Cyprus--where a fifth of the population is Turkish--might destroy Greek-Turkish friendship and wreck the alliance. Turkey is also concerned because of the island's importance in eastern Mediterranean defense plans. While it is unlikely that the matter would go to extremes, Ankara favors the status quo and reserves the right to review its position if the situation in Cyprus changes.

SECRET

INDIA ACTIVATES CAMPAIGN AGAINST PORTUGUESE POSSESSIONS

The invasion on 22 July of part of the Portuguese enclave of Damao on India's west coast by "volunteers" marked the opening of a new activist phase in New Delhi's long-standing campaign to eliminate all remnants of foreign rule from the sub-continent (see map, p. 16). Lisbon's attitude remains adamant against any diplomatic surrender.

Portugal's interest in its Indian territories--Goa, Damao and Diu and their satellite enclaves--is mainly of a sentimental and historical nature. The three enclaves have been under Portuguese rule for more than four hundred years and remain as symbols of a once-great empire. They are of little economic value except for some iron and manganese mines in Goa.

Two more important concerns for Lisbon are the interests of the Catholic Church in the territories--where most native inhabitants are Catholic--and the fear of arousing nationalist movements in Portugal's holdings in Africa. These, Angola and Mozambique are of considerable economic importance to Portugal and an easy surrender of the Indian enclaves might encourage dissidents among African elements. Portugal has consistently taken refuge in the constitutional fiction that its Indian possessions are integral parts of the mother country and that their alienation is therefore not subject even to discussion.

The Indian government also insists that it does not inspire the operations of the "volunteers," although it stationed troops around Damao after the "liberation" of an outlying village there. There is no doubt, however, that the "volunteers" have New Delhi's blessing.

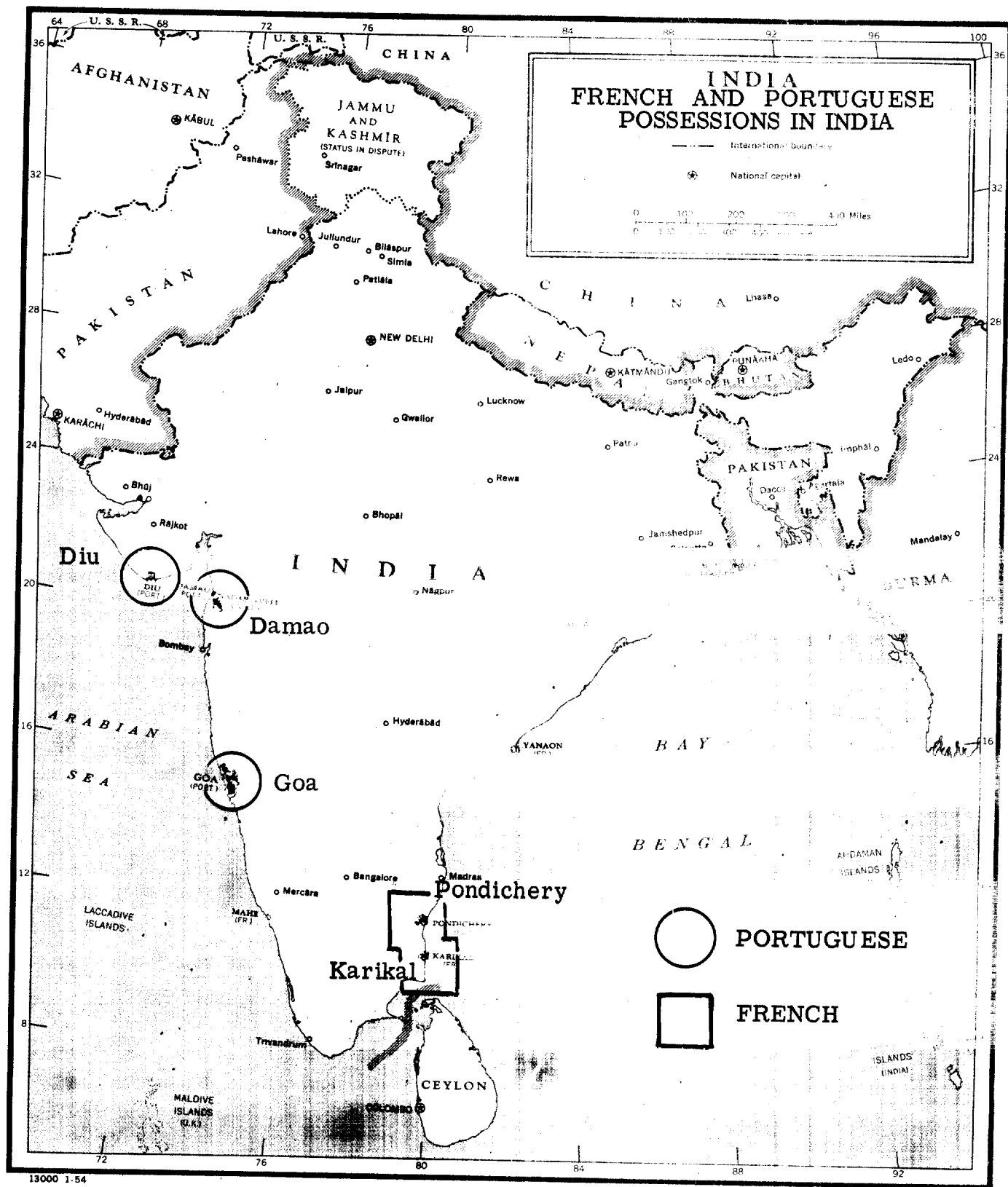
There are only about 3,000 Portuguese troops in India, although about 2,000 reinforcements are reported to be on the way from Europe. This military weakness has so far prevented the Portuguese from taking more than local police action and delivering formal protests to New Delhi. The Foreign Ministry in Lisbon informed the American embassy on 23 July that only the immediate environs of the port areas would be defended forcefully, and that outlying enclaves would be left to shift for themselves.

Portugal has considered invoking the North Atlantic Treaty and the Anglo-Portuguese alliance to counter Indian pressure. Following the attack on Damao and Indian press reports of a march on Goa scheduled for 15 August, Portugal brought up the subject in a private meeting of the North Atlantic Council on 26 July, but requested no action at that time.

Britain and the United States admit, and have so informed New Delhi, that Article 4 of the North Atlantic Treaty--which calls for consultation when the territory of one of the parties is threatened--is applicable to the Portuguese-Indian dispute, but both have discouraged Lisbon from invoking it. Britain is more directly involved through its ancient alliance with Portugal, and is reported to be trying to moderate the Indian attitude.

The parallel history of India's harassment of the French possessions suggests that New Delhi will continue to deny direct, overt physical support to the "volunteers," but will instigate a gradual picking off of isolated pieces of territory where Portuguese have little or no strength to resist.

The promised march against Goa on 15 August may be a special case, however, by which India hopes to provoke the Portuguese into a violent reaction which might swing world opinion to the anticolonial side and justify "defensive" Indian action. Should this event take place and result in violence, Portugal may invoke the North Atlantic Treaty. This would place the United States and Britain in an embarrassing position at a time when India may be taking important decisions on the Indochina truce supervisory commission.



40803

SECRET

OVERHAULING COCOM FOR THE "LONG HAUL"*

As a result of the three-month COCOM review completed on 22 July, major adjustments in the Western system of controls over trade with the USSR and its European Satellites--but not with Communist China--will take place on 16 August. These adjustments are generally in keeping with the objectives set by the COCOM Consultative Group in April of establishing the control lists on a "long-haul" basis and giving "appropriate recognition" to the domestic problems of the individual COCOM countries. No specific agreements were reached, however, which guarantee an improvement in the effectiveness of the controls system, and several issues remain for later resolution.

The most important result of the COCOM review is the sharp reduction in the number of items on the international lists of items subject to export controls (see table, p. 20). In purely numerical terms, the number of items on the embargo, quantitative, and surveillance control lists will be reduced respectively by 37 percent, 77 percent, and 40 percent. If the redefinition of items and their downgrading from the embargo to the quantitative and surveillance lists are taken into consideration, actual "decontrol" is even greater than these figures indicate. Its effect is suggested by the authoritative estimate that the United Kingdom, for example, will be free on 16 August to export to the Orbit \$14,000,000 worth of items already on order but thus far prohibited by COCOM's controls.

The United States had hoped a year ago that the review would result in only moderate adjustments in the international lists from their 1953 level, but most of the other countries insisted that changed international political conditions dictated some compromise with purely strategic considerations. In interpreting the agreed strategic criteria, the British, in particular, argued that items which had both industrial and military usage were ineligible for control under the criterion "designed specially or used principally" for the production of war materiel--despite the fact that some of the items involved are used in the Orbit exclusively for military production. They also argued that a critical Orbit deficiency in any given item of military significance must be considered only in relation to current military capabilities and not some future

*This article prepared in collaboration with ORR.

SECRET

SECRET

capability. Until the very end of the COCOM review, moreover, they stressed the "political necessity" of a short embargo list and their opposition to any form of control other than embargo.

Since each of the other COCOM countries took little part in the negotiations except on items in which it had some special interest, the final list inevitably reflected in large part an accommodation of Anglo-American views. The control status of some 60 items was settled toward the end of the review on the basis of a "package" agreement reached in early July between FOA director Stassen and British Board of Trade president Thorneycroft. This "package" left only one item--rolling mills--in disagreement between the United States and Britain.

On the problem of sales of merchant vessels to the Orbit, however, the gradual reconciliation of British and American views has thus far failed to eventuate in COCOM agreement. The British agreed during the Stassen-Thorneycroft talks to push for acceptance of a compromise proposal under which COCOM countries could export 55 fishing vessels to the Orbit during the next year, and 550,000 tons of nonembargoed merchant ships during the next three years.

American COCOM officials in Paris, however, believe that agreement on a formula along these lines will depend on further concessions to Denmark, and perhaps to the Netherlands and Italy. The United States has in the past held, however, that the export of cargo ships to the Orbit in excess of 88,000 tons per year would exceed the annual replacement rate of the Soviet merchant fleet and that ships of 16 knots can be converted to surface raiders.

The COCOM discussions on other matters were in many respects indecisive. In the matter of implementing the new quota and watch lists, both of which now contain items of substantially greater strategic significance than before, serious disagreements will probably arise from efforts to establish new national allocations and simplify existing quota control procedures. American attempts to obtain COCOM agreement to pre-shipment licensing of items on the new watch list were blocked by the British. A study of surveillance techniques, however, has been directed, and member governments have agreed to "maintain adequate means" of checking shipments of watch list items.

SECRET

SECRET

The results of the American drive to improve enforcement procedures as a means of increasing the over-all effectiveness of the COCOM program are likewise uncertain. Although a formal British commitment to institute transactions controls and the agreement of other COCOM countries to adopt transit trade controls appear to have broken the long-standing impasse over these companion enforcement procedures, they have not resulted in final agreement.

Legislative uncertainties in various member countries prevented the fixing of a definite deadline for implementing the new transit authorization certificate scheme, and several participants are unwilling to introduce this procedure unless all do. There are, moreover, several technical difficulties in both transaction and transit trade controls which still remain to be worked out in future discussions.

The relaxation of controls on trade with the USSR and its Satellites is almost certain to weaken controls on trade with Communist China. Both Japan and Portugal attempted to obtain COCOM support for a review of the China controls, threatening otherwise to oppose any European decontrol. While no agreement was reached on this proposal, the China controls will be the subject of further discussion at the next regular meeting of COCOM's Consultative Group sometime in the fall. Should no increase in tensions in the Far East have occurred by that time, it is probable that other COCOM countries will join the Japanese and Portuguese in favor of reassessment. In the meantime, since items have been decontrolled only for Eastern European destinations, COCOM faces the enlarged task of trying to prevent large-scale transshipment to the Far East.

On balance, it would appear that the mere maintenance of a voluntary, informal, multilateral system of controlling strategic trade has required far greater concessions than had originally been envisaged by the United States. According to Ambassador Hughes in Paris, "previous refusals of the United States to conform with what other participating countries considered the realities of the situation gradually built up reservoirs of ill will which lately had been in a state of almost continuous overflow" and which, if it had continued, would have "permanently impaired" COCOM's usefulness.

SECRET

APPROXIMATE INTERNATIONAL EXPORT CONTROL LISTS AS
MODIFIED IN COCOM REVIEW--APRIL-JULY, 1954

LISTS AS OF APRIL 1954		CHANGES RESULTING FROM REVIEW		LISTS AS OF 16 August	
LEVEL OF CONTROL		Number of Items	Items deleted	New Items added	Number of Items
I/L I	(Embargo)	266	118*	19**	167***
I/L II	(Quota)	92	80	9	21
I/L III	(Surveillance)	102	88	48	62
Totals		460	286	76	250

*Decontrolled, downgraded to List II or III, or included in another item.

**Including items upgraded from List II or III.

***Including items substantially redefined.

Next 1 Page(s) In Document Exempt

SECRET

SPECIAL ARTICLE

FRANCE'S GLOBAL POSITION UNDER REVIEW

The Indochina agreement of 21 July and Premier Mendes-France's proposals for Tunisian reform highlight the emerging adjustment of France's view of its global position and point to a reassessment of the French Union concept. France desires to counterbalance a resurgent Germany by developing its African dependencies as the basis for the claim to great-power status, but intensified unrest in Tunisia and Morocco poses a threat to such plans.

Former foreign minister Bidault's efforts to maintain the facade of France's prewar prestige finally crumbled in the face of Mendes-France's persistent demand that the government adjust its commitments to national capabilities. French acceptance of a diminished role in Asia had commenced with the withdrawal from Syria and Lebanon after World War II and continued with the cession in 1950 of one of the five French enclaves in India. Two more have since been relinquished, and negotiations looking toward early withdrawal from the others have been undertaken. French concessions in Indochina in the past few months have been so sweeping, however, that France is being forced to reassess not only its claim to global power status, but also the whole concept of the French Union.

The French Union

The French Union formula as devised after World War II represented an effort at accommodation to postwar attitudes on colonialism. Several administrative categories were established. Departments of metropolitan France were recognized in northern Algeria, Reunion Island, French Guiana, and the West Indian islands of Martinique and Guadeloupe. The constitution of 1946 made provision for theoretically independent "associated states," and after four years of negotiations this status was conferred on Vietnam, Laos and Cambodia. The UN trusteeships of Togoland and the Cameroons were designated "associated territories." With the exception of the protectorates of Tunisia and Morocco, which remain technically outside the Union, all other possessions were classed as overseas territories.

SECRET

SECRET

All parts of the Union were given representation in the Assembly of the French Union, a body of no real power, half of whose members are elected by the French parliament to speak for metropolitan France, and half by local assemblies for the rest of the Union. The associated and overseas territories also send to the French National Assembly a few representatives chosen on the basis of a limited franchise.

Though French spokesmen frequently drew a parallel between the Union and the British Commonwealth, at least three important differences existed. First, much more emphasis was placed on close cultural and political ties with the mother country: the ideal envisaged was the assimilation of overseas peoples to French civilization and political representation in Paris rather than separate development along their own national lines. Second, though the Associated States were proclaimed to be "independent within the French Union," they were refused the right to withdraw. Third, though the constitution of 1946 makes provision for evolution for overseas territories to the status of associated state, change in the administrative setup of the territories has actually been slight.

In the less advanced territories with no strong nationalist movements of their own and where independence was clearly impracticable--such as French West Africa and French Equatorial Africa--this system worked fairly well. In Madagascar the French were able to crush the nationalist uprising of 1947 by force.

In the more advanced dependencies, however, the Union concept proved less satisfactory, and in Indochina it broke down completely. The French had never been fully accepted in Vietnam and their replacement by the Japanese during the war gave a powerful boost to Vietnamese nationalism. Despite the uneasy control re-established by Paris after the war, the Vietnamese were unwilling to settle for "independence within the French Union" and Paris was finally forced to promise them the right to secede.

A similar pattern is already apparent in North Africa. The French had long excused their refusal to grant independence to Vietnam on the grounds that the North African nationalists would demand like concessions. The grant of full independence to the comparatively backward territory of Libya has been an even more direct stimulus to the growing political unrest in Tunisia and Morocco. An additional complicating factor in both protectorates is the existence of large French settler groups exercising strong political pressure in Paris. Consequently, despite sporadic efforts at "reform," local French administration has turned increasingly to repressive measures.

SECRET

~~SECRET~~**CONFIDENTIAL**The Growing French Concentration on Africa

Frustrated by the dissipation of its hopes in Indochina and by the specter of German predominance in Europe, France is now focusing its attention increasingly on Africa--most immediately, North Africa. Francois Mitterrand, minister of the interior, is the spokesman for a growing group which emphasizes that France is primarily a Mediterranean power. This group argues that Africa provides a large reservoir of economic strength which will permit France to compete on equal terms with a resurgent Germany in a European common market. On the military side, this group looks to Africa for the manpower to maintain a semblance of big-power status.

Mendes-France, in offering sweeping concessions to Tunisian nationalism, is trying to reverse the shortsighted policies which generated the wave of terrorism in Tunisia and Morocco following the deposition of the Moroccan sultan in August 1953. He won cabinet approval for his Tunisian proposals, however, only after a heated five-hour meeting, and violent Assembly opposition is certain to ensue. Current terrorism has tended to strengthen the French settler influence in Paris, and Mendes-France, himself, made plain in his interview with the bey of Tunis on 31 July that France will brook no attempts to sever the ties with North Africa.

An early truce with moderate nationalists like Habib Bourghiba could gain for France a breathing spell to deal with Mendes-France's economic and political problems in Europe. The re-establishment of harmonious relations between Frenchmen and North African nationalists is essential not only to make these areas political and military bastions for France and the West but also to mobilize North African resources in support of France's economic position in Europe.

CONFIDENTIAL~~SECRET~~